

## **Medicare compared to other health care spending indicators**

**ISSUE:** Understanding how Medicare's spending compares with national health care spending patterns, private payers, and other public payers will help policymakers assess the factors driving Medicare spending trends, the adequacy of Medicare's payment and its coverage policies, and Medicare's effectiveness at controlling costs, among other things.

The purpose of this paper is not to make conclusions based upon the spending comparisons, but rather to present them for commissioners' reference as they consider various issues presented by staff, including recommendations that would change the level and distribution of Medicare spending.

### **KEY POINTS:**

- Growth rate comparisons must be undertaken with caution. First, the projections presented in this paper assume current law. Second, they do not take into account an expected pattern of greatly increased Medicare spending beyond the 2011 window as the U.S. population ages. Third, the scope of covered benefits and populations vary. And lastly, certain comparisons may not capture shifts in costs from premiums to beneficiary cost-sharing.
- After many years of rapid growth, total national health care spending slowed between 1993 and 2000, before increasing by 9.6 percent in 2001. It is expected to decline again to about 7.3 percent, on average, between 2001 and 2011.
- Medicare spending peaked as a percent of personal health care expenditures (PHCE) in 1997 at 22 percent. It declined as a result of provisions of the Balanced Budget Act of 1997 (BBA), and is expected to reach a low of 18 percent in 2003, then to remain at this level through 2011.
- Medicare and private health insurance have grown at roughly comparable rates, with private health insurance slightly outpacing Medicare. Medicare growth is expected to slow to 4 percent by 2003, but to grow at 6-7 percent on average for 2001 to 2011. Private health insurance growth is expected to outpace Medicare in the short-run but be slower than Medicare between 2005 and 2011.
- Medicare has grown more slowly than two other large public sector purchasers over the last 5 years (1997-2001) due to BBA spending reductions, but faster than both purchasers over the past 10 years.

**ACTION:** This material will be incorporated into a draft chapter for the March report. Staff would appreciate Commissioners' comments on the scope, technical accuracy, and presentation of the material.

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